



# Outsourcing Services Framework

*An Applied Decision-Making Tool*



**Covenant  
Health**

*Compassionate care led  
by Catholic values*

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■ *“Financial realities and other operational issues may result in the need to contract out some services to ensure the sustainability of the organization, and/or to ensure the highest standards of care.*

*When contracting out work, care should be taken to ensure that all contracting out arrangements respect the rights and responsibilities of unions, provide just wages and benefits, do not treat staff as a commodity, do not endanger the sense of community within the organization, and do not threaten the quality of work or the mission of the organization.”*

**Health Ethics Guide, 174**



## Introduction

In the fall of 2013, key Covenant Health stakeholders met to review their experience and reflections on contracting out services from the perspective of our mission and values. Their goal was to discern an organizational position on outsourcing that fully aligns with our identity, and which would support opportunities to further the ministry of Catholic health care. While the opening statement from the *Health Ethics Guide* provides a general set of principles to prompt reflection, it was determined a more comprehensive framework was required to inform and guide business practices and accountabilities for outsourcing at Covenant Health.

This framework is intended to be used as part of the business case and due diligence process when contemplating options to outsource services. It should also be applied when selecting proponents, and afterwards, in monitoring their compliance to quality, safety and other established expectations set by Covenant Health, in alignment with our mission and values. Rigorous application of the framework is necessary to ensure an ethically defensible, reasonable and consistent approach to outsourcing for which our organization aspires to be known.

Covenant Health leaders will be expected to apply the framework to outsourcing business planning for which they are accountable. By setting clear expectations with both contract providers and Covenant Health leaders, we uphold our commitment in providing the highest quality care to the residents and patients we serve, whom are the ultimate beneficiaries of such business practices.

We wish to acknowledge the Covenant Health stakeholders whose thoughtful reflections and practical considerations resulted in this framework document, as well as colleagues at Business Initiatives & Support Services. Through their invaluable and independent feedback they helped validate many of the principles contained in the Covenant Health framework.

Linda Revell, VP and Chief Operating Officer

Gordon Self, VP, Mission, Ethics and Spirituality



## Our Mission

We are called to continue the healing ministry of Jesus by serving with compassion, upholding the sacredness of life in all stages, and caring for the whole person – body, mind and soul.

## Our Vision

Inspired by our mission of service, we will be leaders and partners in transforming health care and creating vibrant communities of health and healing.

## Our Values

As a Catholic organization, we are committed to serving people of all faiths, cultures and circumstances, according to our values:

Compassion

Respect

Collaboration

Social Justice

Integrity

Stewardship

## How to Use the Outsourcing Services Framework

In each of the sections that follow, five key principles on outsourcing are presented along with a series of statements that provide further reflection on the framework principles and how they ought to be applied. The statements are based on the consensus opinion from key stakeholders consulted to discern an organizational approach to outsourcing, informed by our mission and values. At the end of the document is a summary of the key principles that can be used as a quick check list, including additional questions for reflection to ensure a continuous quality review of our outsourcing decision-making and practices.

Although the organization has extensive experience with contractual providers and anticipates ongoing reliance with contractors going forward, it is useful to have a supporting framework to align their work to our mission, values and ethical traditions. This will also help ensure a consistent approach, especially if the decisions to outsource raise concerns about affected unionized environments, pension plans, operating costs, quality of care and service, impact to culture, or alignment with Catholic social teaching

The framework's practical worth lies in the ability to help decision-makers communicate a consistent and defensible rationale to outsource, and how this sometimes difficult and emotional laden decision nevertheless supports us achieving our mission. In this way, it is both a decision-making and an educational tool.

Questions regarding use of the Outsourcing Services Framework can be directed to Mission, Ethics and Spirituality (MES) at 780.735.9597 or Innovation and Business Development (IBD) at 780.735.9986.



# Principles and their Practical Application

## 1. Ensure there is a compelling business case to outsource

- Stewardship of resources is often a key driver, but economic factors should not be the only reason to consider outsourcing.
- Other factors may include: respond to an opportunity to be of greater service, leverage economies of scale, ensure quality, channel core resources to focus on vulnerable populations, or, if there is a lack of sufficient contract management or business expertise to be successful.
- Given that outsourcing requires significant organizational energy to set up, monitor and manage contractual relationships, it is important the business case is realistic in defining overall benefit and at what point it is truly a worthwhile investment.
- The business case thus needs to establish the *Total Value Proposition* that outsourcing can achieve, including: economic benefits, ability to stay competitive and influence in shaping/transforming the health system, ability to grow the ministry and fit with our mission, social return on investment, etcetera.
- The business case should be aligned with key existing organizational statements and practices, including, but not limited to: *Cooperation and Service Agreement, Employee Engagement, Just Workplace Framework, Our Commitment to Ethical Integrity, Health Ethics Guide, and Relationships with Industry Policy.*
- The ultimate test Covenant Health will use to assess the practical and moral legitimacy of outsourcing is *whether it allows us to grow the mission and advance the ministry.*

## 2. Ensure the rationale for outsourcing is clearly articulated and consistently applied

- It is important to have an objective business case and compelling rationale that can be consistently communicated given the likelihood some may question or contest the decision.
- Legitimate concerns around maintaining a viable presence in an unaffordable unionized or pension-rich environment should be transparently acknowledged; however, it is insufficient to define a positive organizational position on outsourcing couched in avoidance language.
- Clarity and transparency is required about the “why” – why outsourcing makes sense from a stewardship, quality and mission perspective – and to provide a compelling and honest answer versus trying to camouflage the rationale with more palatable language.
- This includes naming both risks and benefits in contracting out certain services, including alternative options (i.e., managed services), and overall fit with our mission.
- The rationale should adequately address risks around “conflicts of purpose” between not-for-profit operators like Covenant Health, who in turn contract out services with for-profit providers. This includes strategies to mitigate risk of perceived, potential or actual blurring between public-private claims.
- If the business case and mission due diligence supports contracting out certain cohorts of staff at one site but not their counterparts at another site, the reasons why should be clearly articulated.
- While it may be less emotionally charged to outsource within a brand new/green-field environment versus contracting out an existing cohort of staff involving lay-offs, opportunities for reemployment of staff with the new vendor, and significant organizational change, the same principles should nevertheless apply.



### **3. Ensure appropriate boundaries around scale of outsourcing and impact on our culture**

- Covenant Health is both a quality service provider as well as an employer of choice. Expectations need to be set with contracted agencies so that neither value propositions are diminished.
- Reducing our role as simply a broker of service is unacceptable. A continuous and meaningful Covenant Health staff presence is necessary to maintain our Catholic identity and unity of mission and purpose.
- The threshold test that should constitute a Covenant Health staff member, and therefore potentially excused from outsourcing consideration, are providers of “mission-critical” or “core” services, versus the historic boundary defined by those having direct contact with patients or residents. Some services require they remain under our operational control whether or not there is patient/resident contact.
- Determining what is mission-critical or core services, however, is context-specific. Quality of food to a resident, for example, may be more a core service in a supportive living environment than in an acute-care setting. This may necessarily result in some varied approaches across the organization, but deriving from the same transparent principles.
- The same principles apply if Covenant Health is asked to be an outsource provider to another organization. Whether we are outsourcing ourselves, or asked to be a provider of services, the applicable test is whether this decision allows us to further the mission and advance the ministry.
- Communicating decisions to contract out non-core service should not inadvertently devalue their contributions as collaborators in achieving our mission and advancing the ministry
- Identifying case specific reasons and clear justification who to outsource in the business case will be prudent in responding to expected questions or contested challenges later.

### **4. Ensure there is capacity to manage the contract relationship and to set expectations**

- Whether we outsource or not, Covenant Health must retain accountability and control over those providers whose behavior will reflect on our mission, values and reputation.
- Just as we “hire for fit,” we have to “contract for fit.” Reputational factors need to be considered if unrelated services provided by the same contract provider conflict with our mission, values and ethical principles (application of the moral principle of cooperation).
- Retaining control over mission-critical parts of our business allows us to give notice to contracted providers if we no longer have aligned interests, or should the vendor merge or be bought out by another provider.
- Contracting out does not absolve Covenant Health of our responsibility to set expectations and ensure accountability for the overall patient/resident experience. Moreover, the public/media does not easily distinguish where the employer and contract provider begins or ends.
- Obligations to our sponsor (Catholic Health of Alberta), our funder, and other regulatory bodies requires sufficient oversight is exercised regarding the contract provider’s commitments to mission fidelity, stewardship and quality.
- Mechanisms are required to continuously review, negotiate and problem-solve issues with contract providers, including retention of intellectual capital.



## 5. **Ensure clear expectations are set in the selection, monitoring and evaluation process**

- The Outsourcing Framework should be integrated into RFP and RFQ processes, requiring proponents to provide satisfactory evidence of their adherence to the principles described.
- Proponents should define how their proposal will advance the mission and achieve the vision to positively influence the health of Albertans.
- Careful attention is required to determine if mission-critical and mission-identifying staff may be impacted, and if so, what strategies are required to ensure the mission is continuously advanced without compromise.
- As part of considering all alternatives to outsourcing, stakeholders should identify and weigh all legitimate options, including “contracting in” (managed services) or other hybrid models (partial to full outsourcing) that will ensure a viable presence. This may mean the option of exiting the business stream altogether if there is no viable alternative or we are unable to sustain or advance the mission without compromise.
- Sufficient mission due diligence is required to ensure Covenant Health’s interests are honoured in the event of a merger or buy-out of the initial contract provider.
- Where beneficial and possible, it is preferable to assume lead in negotiating contractual arrangements to ensure our accountability and control needs are met, and reducing risk of being excluded from key decisions if the contract is established by another funder.
- Opportunities should be explored in advance with contract providers regarding their willingness to consider rehiring and retaining outsourced staff, in order to ensure continuity of their technical skill, experience, and commitment in positively shaping the culture remains in the organization.
- Other opportunities to support staff transitioning to their new contract employer may include: career counseling (both within the current site and now more widely throughout the contract provider’s entire organization), possible bridging/top up of wage differentials, and other benefit transitional supports.
- Consideration should be given as to how outsourced staff are expected to participate in site based activities, recognition events and other site privileges and norms (for example, participation in long service and mission awards, access to staff parking, use of same or distinct uniforms and identification badges) to strengthen a cohesive and participatory culture.



## Conclusion

As a service provider, especially a publicly funded service provided, we are obligated to be efficient and fiscally responsible, without compromising our commitment to quality care. If some non-core services can be provided at equal or greater quality, while at a lower cost, we are financially and morally obligated through our value of stewardship to consider this option.

But stewardship is equally about being good stewards of our human resources, as well as of our mission and reputation. In this way, stewardship is arguably the trump value among a hierarchy of values when considering outsourcing.

As a people organization, it is our personnel, or that of deployed contract staff in our buildings, who are the face of the organization. The quality of their work must reflect positively on our culture to ensure Covenant Health's ethical integrity and reputation is maintained.

Ultimately, the question that needs to be asked is not whether outsourcing allows us to function more efficiently, or even if it creates a more flourishing workforce, but rather, if it will enable us to *sustain and grow the mission*. Outsourcing is a viable and legitimate option if it truly enables the Catholic health care organization to advance the healing and reconciling ministry of Jesus Christ.

This claim assumes ethical consideration of both the *means and the ends*, for arguably we cannot say we are furthering the ministry and mission if we are exploiting providers (employed or contracted) in the process. The mission is advanced when we can say unequivocally that both the care recipient experience and the care provider experience are duly considered.

Covenant Health will collaborate with others who share in our mission, values and ethical traditions to continuously improve the quality of care and service. Some of these relationships may require changing the way we do business, even contracting out services, but we can be confident that the thoughtful, discerned organizational approach which this framework represents can allow us to do so with courage and integrity.

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# Appendix A

## Check List to Assist in Business Case Planning, Monitoring and Evaluation

### 1. Is there a compelling business case to outsource?

- a. **Demonstrated opportunities to:**
  - i. Lower costs
  - ii. Leverage economies of scale
  - iii. Ensure quality
  - iv. Partner with others if lacking business acumen or expertise in the field
  - v. Stay competitive and remain in the business
  - vi. Bring innovation and help transform the health system
  - vii. Respond to an opportunity to be of greater service
  - viii. Channel core resources to focus on vulnerable populations
  - ix. Grow the mission and advance the ministry
- b. **Demonstrated alignment with:**
  - i. Our mission, vision and values
  - ii. Catholic social teaching
  - iii. Just Workplace Framework and the Health Ethics Guide
  - iv. Congruence with both the ends achieved and how it is accomplished

### 2. Is there a clearly articulated and consistently applied rationale to outsource?

- a. Clearly articulates how it promotes our mission
- b. Focuses on preferred future versus avoidance strategies
- c. Identifies all the risks, benefits and alternatives
- d. Addresses public perception with fit with mission and publicly funded health care
- e. Helps explain why one cohort is outsourced when another like group is not

### 3. Are there appropriate boundaries around the scale and scope of our outsourcing practices?

- a. Meets standards as both provider of quality service and employer of choice
- b. Ensures a continuous and meaningful staff presence to maintain our identity
- c. Careful consideration of what mission-critical or core services must be retained
- d. Consistent messaging regarding the value-add role of all – contract and employed



**4. Is there organizational capacity to manage the contract relationship and set expectations?**

- a. Retained accountability and control over providers to ensure expected behaviour
- b. Contract vendors are selected based on “fit” with our mission, values and culture
- c. Careful due diligence and exit strategy clauses should vendor merge or is bought out
- d. Ensure messaging to public and media reflects our expected organizational norms
- e. Commitments to Sponsor regarding mission fidelity, quality and stewardship are met
- f. Conflict resolution and problem solving mechanisms are in place

**5. Are there clear expectations accountabilities in selecting, monitoring and evaluating contracts?**

- a. Proponents provide satisfactory evidence of their adherence to expected norms
- b. Proponents can clearly define how their proposal will help achieve the mission
- c. Mitigating strategies are in place if mission-critical services are impacted
- d. All legitimate options are duly considered, including hybrid or in sourcing
- e. Ongoing monitoring and evaluation of contract relationships are assured
- f. Consideration is given to vendor’s willingness to retain staff and their experience
- g. Staff are supported with appropriate counseling and other transitional supports
- h. Expectations are set regarding outsourced staff’s participation in site norms



## Appendix B

### Sample Reflection Questions

1. A proponent meets all criteria in the RFP process and is then invited to present to the selection committee. During their presentation they indicate they are positioned for further growth in the national marketplace as partners with another known vendor, but one that has questionable labour and quality practices. What additional questions and contractual considerations are required to ensure sufficient mission due diligence?
2. Contract staff routinely interact with employed staff at one of our smaller facilities, who are practically indistinguishable to the residents and families, resulting in a strong cohesive culture. However, tensions arise when collective agreement issues among employed unionized staff causes some division and angst with their contract provider peers, who now feel disadvantaged and without the same representative voice. How would you manage this to ensure a continued singular cultural experience?
3. After careful deliberation and discernment, it is deemed necessary to outsource a business unit at one of our facilities to maintain a viable presence in continually serving a vulnerable population. Given different circumstances, the same business unit at another nearby Covenant Health facility is not outsourced. The impacted staff complains why they are being outsourced while their peers are not. Dissatisfied with the response they received from management, they escalate their concerns in a letter to the board and to the sponsor, Catholic Health of Alberta, asking that they appeal the decision. How would you manage this?
4. You are responsible for one of the impacted units and have been working to transition existing staff to their new employer, who have committed to hire the entire workforce but under a less competitive salary and benefit package. As you show up to work you are surprised to see a protest sit-in has been organized, and media are on scene. A reporter asks you how this protest is aligned with the organization's espoused values of social justice. How do you respond?
5. You have successfully managed various contract providers, who have all delivered quality and compassionate service, reflecting positively on the mission of the organization. More business units are contracted out based on the same demonstrated commitment to quality and service leaving only a small contingent of employed Covenant Health staff and management at the facility. Over time you begin to wonder if you are merely a broker of service, but also remark the ministry is growing and how positively the mission is advanced. How do you reconcile these two perspectives?
6. A review of all possible options including partial contracting out and contracting in services results in the same dire conclusion that the ministry is unsustainable. Only one option remains that involves a complex partnership arrangement with a sole contract provider whose reputation has not been positive in representing the interests of Catholic health care. Pursuing this relationship will surely result in compromising our mission, values and Catholic identity. But the alternative option of withdrawing services altogether and risking harm to a vulnerable population is also morally unacceptable. What do you do, and how would you justify your response to either the sponsor, or the vulnerable persons in need of care?



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